



Canada Economic
Development
for Quebec Regions

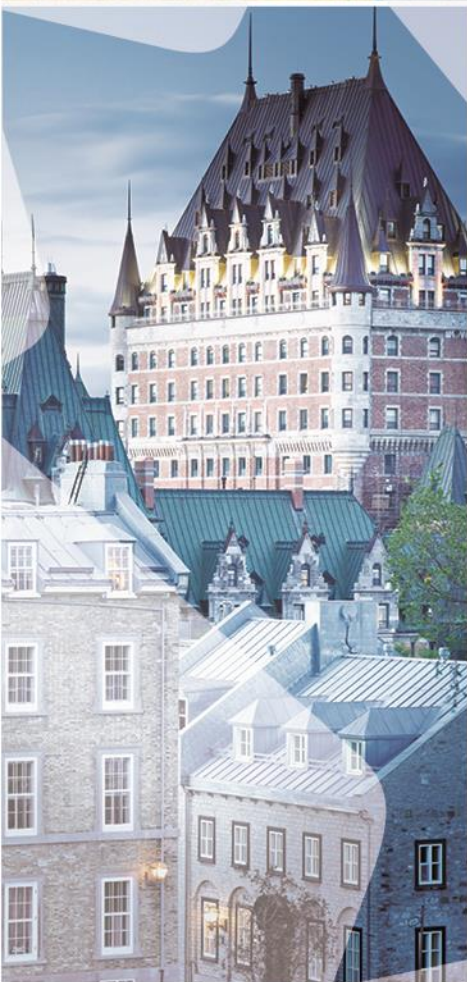
Développement
économique Canada
pour les régions du Québec



FINANCIAL STATEMENTS AS OF MARCH 31, 2017

(UNAUDITED)

MARCH 2017



Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2017, and all information contained in these statements rests with the management of Canada Economic Development for Quebec Regions (CED). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of CED's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in *CED's Departmental Results Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout CED and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

CED is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board *Policy on Internal Control*.

A Core Control Audit was performed in 2012-2013 by the Office of the Comptroller General of Canada (OCG). The Audit Report and related Management Action Plan are posted on the departmental web site at: <http://dec-ced.gc.ca/eng/resources/publications/index.html>.

The financial statements of Canada Economic Development for Quebec Regions have not been audited.

Manon Brassard
President
Montréal, Canada

Guy Lepage
Chief Financial Officer

Date

Canada Economic Development for Quebec Regions

Statement of Financial Position (*Unaudited*)

As at March 31

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	22,073	41,724
Vacation pay and compensatory leave	1,723	1,497
Employee future benefits (note 5)	1,532	1,810
Total gross liabilities	25,328	45,031
Liabilities held on behalf of Government		
Accounts payable and accrued liabilities (note 4)	(2,793)	(17,850)
Total liabilities held on behalf of Government	(2,793)	(17,850)
Total net liabilities	22,535	27,181
Financial assets		
Due from Consolidated Revenue Fund	17,991	22,980
Accounts receivable and advances (note 6)	3,050	2,971
Loans receivable (note 7)	371,574	332,655
Total gross financial assets	392,615	358,606
Financial assets held on behalf of Government		
Accounts receivable and advances (note 6)	(1,756)	(2,075)
Loans receivable (note 7)	(371,574)	(332,655)
Total financial assets held on behalf of Government	(373,330)	(334,730)
Total net financial assets	19,285	23,876
Departmental net debt	3,250	3,305
Non-financial assets		
Prepaid expenses	151	184
Tangible capital assets (note 8)	860	938
Total non-financial assets	1,011	1,122
Departmental net financial position	(2,239)	(2,183)

Contractual obligations (note 9)

Canada Economic Development for Quebec Regions

Statement of Financial Position (*Unaudited*) As at March 31

(in thousands of dollars)

The accompanying notes form an integral part of these financial statements.

Manon Brassard
President
Montréal, Canada

Guy Lepage
Chief Financial Officer

Date

Canada Economic Development for Quebec Regions

Statement of Operations and Departmental Net Financial Position (*Unaudited*) For the Year Ended March 31

(in thousands of dollars)

	2017 Planned Results	2017	2016
Expenses			
Business Development	62,482	73,157	47,848
Regional Economic Development	32,190	35,617	31,172
Strengthening Community Economies	86,455	76,722	45,973
Internal Services	20,907	20,823	19,969
Expenses incurred on behalf of Government	(2,856)	(9,593)	23,242
Total expenses	199,178	196,726	168,204
Revenues			
Interest revenues	407	438	95
Miscellaneous revenues	109	24	35
Revenues earned on behalf of Government	(516)	(462)	(130)
Total revenues	0	0	0
Net cost of operations before government funding and transfers	199,178	196,726	168,204
Government funding and transfers			
Net cash provided by Government		195,696	171,723
Change due from Consolidated Revenue Fund		(4,989)	(8,928)
Services provided without charge by other government departments (note 10a)		5,963	5,385
Transfer of the transition payments for implementing salary payments in arrears		0	(3)
Net cost of operations after government funding and transfers		56	27

Canada Economic Development for Quebec Regions

Statement of Operations and Departmental Net Financial Position (*Unaudited*) For the Year Ended March 31

(in thousands of dollars)

Departmental net financial position- Beginning of year	(2,183)	(2,156)
Departmental net financial position – End of year	<u>(2,239)</u>	<u>(2,183)</u>

Segmented information (note 11)

The accompanying notes form an integral part of these financial statements.

Canada Economic Development for Quebec Regions

Statement of Change in Departmental Net Debt (*Unaudited*) For the Year Ended March 31

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Net cost of operations after government funding and transfers	56	27
Change due to tangible capital assets		
Acquisition of tangible capital assets	278	321
Amortization of tangible capital assets (note 8)	(341)	(295)
Proceeds from disposal of tangible capital assets	(12)	(28)
Net (loss) or gain on disposal of tangible capital assets including adjustments	(3)	0
Total change due to tangible capital assets	(78)	(2)
Change due to prepaid expenses	(33)	43
Net increase (decrease) in departmental net debt	(55)	68
Departmental net debt – Beginning of year	3,305	3,237
Departmental net debt – End of year	<u>3,250</u>	<u>3,305</u>

The accompanying notes form an integral part of these financial statements.

Canada Economic Development for Quebec Regions

Statement of Cash Flows (*Unaudited*) For the Year Ended March 31

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Operating activities		
Net cost of operations before government funding and transfers	196,726	168,204
Non-cash items:		
Amortization of tangible capital assets (note 8)	(341)	(295)
Gain (loss) on disposal of tangible capital assets	(3)	0
Services provided without charge by other government departments (note 10a)	(5,963)	(5,385)
Transition payments for implementing salary payments in arrears	0	3
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	398	487
Increase (decrease) in prepaid expenses	(33)	43
Decrease (increase) in accounts payable and accrued liabilities	4,594	8,435
Decrease (increase) in vacation pay and compensatory leave	(226)	(140)
Decrease (increase) in future employee benefits	278	78
Cash used in operating activities	195,430	171,430
Capital investing activities		
Acquisition of tangible capital assets (note 8)	278	321
Proceeds from disposal of tangible capital assets	(12)	(28)
Cash used in capital investing activities	266	293
Net cash provided by Government of Canada	<u>195,696</u>	<u>171,723</u>

The accompanying notes form an integral part of these financial statements.

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

1. Authority and objectives

The mission of Canada Economic Development for Quebec Regions (CED) is to promote the long-term economic development of the regions of Quebec by according special attention to those regions where slow economic growth is prevalent or where opportunities for productive employment are inadequate. CED exercises its mandate under the provisions of the *Economic Development Agency of Canada for the Regions of Quebec Act*, which came into force on October 5, 2005. In addition, CED is committed to promoting co-operation and complementarity with Quebec and the communities in Quebec.

Thus, CED aims to foster economic growth through innovation, clean technologies and an inclusive approach. Strategic investments that support transition and diversification and build on competitive regional advantages will set the stage for this renewed vision for the economic development of the regions of Quebec, which is reflected in a single strategic result: *Quebec's regions have a growing economy*. To achieve this strategic outcome in 2016-2017, CED has four programs:

- **Business Development:** This program is designed to support development of enterprises throughout their life cycle so as to enhance Quebec's economic growth. Enterprises are recognized as generating a major share of economic activity and job creation. CED's aim is to foster the emergence of new businesses and the next generation of entrepreneurs. Its aim is also to enhance the competitiveness of existing businesses and help to ensure their survival by improving their performance through the development of production, innovation, commercialization and export capacities.
- **Regional Economic Development:** The purpose of this program is to support the economic development of the various regions in order to increase Quebec's economic growth. The regions of Quebec are not homogeneous and face different circumstances, with issues, challenges and strengths particular to their region. The regions generate prosperity, and their participation in the economy is essential for Quebec's economic growth. CED supports the strengthening of their economic base by encouraging stakeholder engagement in economic development and stimulating investment in all regions of Quebec.
- **Strengthening Community Economies:** In addition to its regular programs, CED is called upon to develop, administer and implement national programs or temporary, targeted initiatives intended to strengthen community economies and increase Quebec's economic growth. CED supports the economic development of rural communities and ensures the sound and effective management of infrastructure programs in Quebec. CED also supports economic activity in Quebec communities experiencing economic shocks or where there are major economic development issues or promising opportunities for development.
- **Internal Services:** Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically for a program. They ensure greater efficiency in program delivery and thus contribute to providing high quality services for Canadians.

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

2. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

- a) Parliamentary authorities - CED is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to CED do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statements of Operations included in the *2016-2017 Report on Plans and Priorities*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the *2016-2017 Report on Plans and Priorities*.
- b) Net Cash Provided by Government – CED operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CED is deposited to the CRF, and all cash disbursements made by CED are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.
- c) Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that CED is entitled to draw from the CRF without further authorities to discharge its liabilities.
- d) Revenues - Revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place, except for the item listed below. Loans are non-interest bearing and, due to the uncertainty as to ultimate collection, interest income is only charged on overdue amounts when received. Other revenues consist of other fees and gains on the disposal of capital and non-capital assets.

Revenues that are non-responsible are not available to discharge CED's liabilities. While the President is expected to maintain accounting control, she has no authority regarding the disposition of non-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (Unaudited) For the Year Ended March 31

- e) Expenses - Expenses are recorded on the accrual basis:
- o Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met all eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.
 - o Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
 - o Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans, and legal services are recorded as operating expenses at their estimated cost.
- f) Employee future benefits
- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. CED's contributions to the Plan are charged to expenses in the year incurred and represent CED's total obligation to the Plan. CED's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, the Plan's sponsor.
 - ii. Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.
- g) Accounts and loans receivable are stated at the lower of cost and net recoverable value. The present value of these contributions is not estimated, since insufficient conditions of a concessionary nature are attached to them. Transfer payments that are unconditionally repayable are recognized as loans receivable. A valuation allowance is recorded for accounts and loans receivable where recovery is considered uncertain.

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

- h) Tangible capital assets - All tangible capital assets and leasehold improvements having an initial cost of \$5,000 or more are recorded at their acquisition cost. CED does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset, as follows:

Asset class	Amortization period
Computer hardware	3 à 5 years
Computer software	3 years
Other equipment	5 years
Motor vehicles	6 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement.

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

- i) Measurement uncertainty – The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are allowances for doubtful accounts, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

3. Parliamentary authorities

CED receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, CED has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to current year authorities used	2017	2016
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	196,726	168,204
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments	(5,963)	(5,385)
Amortization of tangible capital assets	(341)	(295)
Gain (loss) on disposal of tangible capital assets	(3)	0
Decrease (increase) in vacation pay and compensatory leave	(226)	(140)
Decrease (increase) in employee future benefits	278	78
Repayment of contributions and previous years' expenditures	5,067	5,140
Other	413	(254)
Total items affecting net cost of operations but not affecting authorities	(775)	(856)

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

Adjustments for items not affecting net cost of operations but affecting authorities:

Acquisition of tangible capital assets (note 8)	278	321
Increase (decrease) in prepaid expenses	(33)	43
New loans (note 7)	119,277	91,488
Transition payments for implementing salary payments in arrears	0	3
Other	480	(6)
	<u>120,002</u>	<u>91,849</u>
Total items not affecting net cost of operations but affecting authorities		
Current year authorities used	<u>315,953</u>	<u>259,197</u>

b) Authorities provided and used

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Authorities provided:		
Vote 1—Operating expenditures	40,094	40,162
Vote 5—Grants and contributions	275,462	221,433
Statutory amounts	3,941	4,113
	<u>319,497</u>	<u>265,708</u>
Less:		
Authorities available for use in future years	(12)	(42)
Lapsed: Operating and Grants and contributions	(3,532)	(6,469)
Current year authorities used	<u>315,953</u>	<u>259,197</u>

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

4. Accounts payable and accrued liabilities

The following table presents details of CED's accounts payable and accrued liabilities:

	2017	2016
	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Accounts payable – Other government departments and agencies	2,347	5,892
Accounts payable – External parties	6,115	2,998
Total accounts payable	<u>8,462</u>	<u>8,890</u>
Accrued liabilities	13,611	32,834
Total gross accounts payable and accrued liabilities	<u>22,073</u>	<u>41,724</u>
Accounts payable on behalf of Government	(2,793)	(17,850)
Net accounts payable and accrued liabilities	<u>19,280</u>	<u>23,874</u>

5. Employee future benefits

a) Pension benefits

CED's employees participate in the public service pension plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and CED contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2016-2017 expense amounts to \$2,708 thousand (\$2,805 thousand in 2015-2016). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015-2016) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015-2016) the employee contributions.

CED's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Financial Statements of the Government of Canada, as the Plan's sponsor.

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

b) Severance benefits

Severance benefits provided to CED's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2017, all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Accrued benefit obligation - Beginning of year	1,810	1,888
Expense for the year	(26)	159
Benefits paid during the year	(252)	(237)
Accrued benefit obligation - End of year	1,532	1,810

6. Accounts receivable and advances

The following table presents details of CED's accounts receivable and advances balances:

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Receivables – Other government departments and agencies	1,285	889
Receivables – External parties	4,423	6,503
Employee advances	9	7
Subtotal	<u>5,717</u>	<u>7,399</u>
Allowance for doubtful accounts on receivables from external parties	(2,667)	(4,428)
Gross accounts receivable	<u>3,050</u>	<u>2,971</u>

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

Accounts receivable held on behalf of Government	(1,756)	(2,075)
Net accounts receivable	1,294	896

Amounts collected in respect to conditionally repayable contributions totalled \$5,564 thousand for the 2016-2017 fiscal year (\$5,283 thousand in 2015-2016). CED wrote off a total of \$3,000 thousand in the 2016-2017 fiscal year for accounts deemed uncollectible (\$11,679 thousand in 2015-2016).

7. Loans receivable

Loans (unconditionally repayable contributions) are transfer payments made to eligible recipients to carry out a project. The contribution agreement sets out strict conditions for repayment which determine the dates and amounts of payments. In general, the repayment schedule does not exceed five years, beginning no later than 24 to 48 months after the project completion date. The amounts collected in respect to unconditionally repayable contributions totalled \$71,945 thousand for the 2016-2017 fiscal year (\$63,535 thousand in 2015-2016). CED wrote off a total of \$4,902 thousand in 2016-2017 for accounts deemed uncollectible (\$3,845 thousand in 2015-2016). All loans are held on behalf of Government, since the Deputy Head has no authority with regard to their disposal.

The following table presents the details of CED's loans and transfer payment recoverable balances:

	2017	2016
	(in thousands of dollars)	
Repayable contributions at the beginning of the year	467,480	443,466
New contributions paid	119,277	91,488
Repayments received and other credits	(76,905)	(67,474)
Subtotal: Repayable contributions at year end	509,852	467,480
Less: Allowance for uncollectibility	(138,278)	(134,825)
Total loans receivable	371,574	332,655

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

8. Tangible capital assets (in thousands of dollars)

Capital Asset Class	Cost					Accumulated Amortization					Net Book Value	
	Opening Balance	Acquisitions	Adjustments (1)	Disposals and Write-Offs	Closing Balance	Opening Balance	Amortization	Adjustments (1)	Disposals and Write-Offs	Closing Balance	2017	2016
Computer hardware	532	7	0	0	539	315	57	0	0	372	167	217
Computer software	4,678	140	67	0	4,885	4,376	196	0	0	4,572	313	302
Other equipment	74	6	0	0	80	64	6	0	0	70	10	10
Motor vehicles	462	26	0	(46)	442	164	62	0	(31)	195	247	298
Leasehold improvements	168	0	0	0	168	124	20	0	0	144	24	44
Assets under construction	67	99	(67)	0	99	0	0	0	0	0	99	67
TOTAL	5,981	278	0	(46)	6,213	5,043	341	0	(31)	5,353	860	938

(1) Adjustments include assets under construction of \$67 thousand that were transferred to other categories upon completion of the assets.

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

9. Contractual obligations

The nature of CED's activities result in some large multi-year contracts and obligations whereby CED will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2018	2019	2020	2021	2022 and thereafter	Total
	(in thousands of dollars)					
Transfer payments	224,178	88,869	27,270	21,338	26,465	388,120
Operations and maintenance	4,137	1,917	1,886	11	6	7,957
Total	228,315	90,786	29,156	21,349	26,471	396,077

10. Related party transactions

CED is related as a result of common ownership to all government departments, agencies and Crown corporations. CED enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, CED received services which were obtained without charge from other government departments as disclosed below.

a) Common services provided without charge by other government departments

During the year, CED received services without charge from certain common service organizations, related to accommodation, legal services and the employer's contribution to the health and dental insurance plans. These services, provided without charge, have been recorded in CED's Statement of Operations and Departmental Net Financial Position as follows:

	2017	2016
	(in thousands of dollars)	
Employer's contribution to the health and dental insurance plans	2,732	2,549
Accommodation	2,590	2,607
Legal services	641	229
Total	5,963	5,385

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada and audit services provided by the Office of the Auditor General are not included in the Department's Statement of Operations and Departmental Net Financial Position. The costs of information technology infrastructure services provided by Shared Services Canada, following the transfer of responsibilities in November 2011 and April 2013, are also not included in the Department's Statement of Operations and Departmental Net Financial Position.

b) Administration of programs on behalf of other government departments

Under memorandums of understanding signed with Infrastructure Canada (INFC), CED administers and delivers infrastructure programs through federal-provincial agreements with the province of Quebec. Expenses related to federal contributions for these agreements are reflected in the financial statements of INFC and not those of CED.

Among the agreements covered by these memorandums of understanding are those of the Building Canada Fund (BCF). During the year, CED incurred expenses of \$18,073 thousand (\$24,279 thousand in 2015-2016). To administer these agreements, CED receives additional operating funds in its own authorities through budget processes, and these expenses are included in these financial statements.

Under a memorandum of understanding signed with Global Affairs Canada on April 1 2016, DEC administers the North American Platform Program (NAPP). During year, DEC incurred expenses of \$37 thousand on behalf of Global Affairs Canada. These expenses are reflected in the financial statements of Global Affairs Canada and are not recorded in these financial statements.

c) Other transactions with related parties

	<u>2017</u>	<u>2016</u>
	(in thousands of dollars)	
Expenses – Other government departments and agencies	1,845	1,512

The expenses disclosed in section (c) do not include common services provided free of charge, which are disclosed in section (a).

Canada Economic Development for Quebec Regions

Notes to the Financial Statements (*Unaudited*) For the Year Ended March 31

11. Segmented information (in thousands of dollars)

Presentation by segment is based on CED's Program Alignment Architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expense and by major type of revenue. The segment results for the period are as follows:

	Business Development	Regional Economic Development	Strengthening Community Economies	Internal services	Total	2016 Total
Expenses						
Transfer payments						
Non-repayable payments						
Non-profit organizations	42,102	30,400	50,900	0	123,402	110,067
Other levels of government	0	1,701	7,407	0	9,108	11,242
Industry	1,072	733	18,496	0	20,301	5,506
Conditional repayments						
Industry	1,312	3	(3,215)	0	(1,900)	(6,923)
Others	11,726	(28)	(3,344)	0	8,354	(20,955)
Subtotal	56,212	32,809	70,244	0	159,265	98,937
Expenses incurred on behalf of Government	(13,021)	24	3,404	0	(9,593)	23,242
Total – Transfer payments	43,191	32,833	73,648	0	149,672	122,179
Operating expenses						
Salaries and employee benefits	13,477	2,391	5,548	14,297	35,713	35,840
Professional and special services	1,870	155	338	2,733	5,096	4,901
Accommodation	1,029	166	381	1,237	2,813	2,762
Travel and communications	380	64	143	397	984	970
Purchases of equipment and furniture	6	1	2	954	963	379
Amortization	39	7	14	281	341	295
Information	84	14	30	317	445	300
Supplies and procurement	49	8	18	161	236	147
Repairs and maintenance	9	2	3	6	20	28
Loss on disposal of tangible capital assets	0	0	0	3	3	0
Other	2	0	1	437	440	403
Total – Operating expenses	16,945	2,808	6,478	20,823	47,054	46,025

Canada Economic Development for Quebec Regions

Notes to the financial statements (*unaudited*) For the year ended March 31

Total - Expenses	60,136	35,641	80,126	20,823	196,726	168,204
Revenues						
Interest revenues	423	1	14	0	438	95
Miscellaneous revenues	23	0	0	1	24	35
Revenues earned on behalf of Government	(446)	(1)	(14)	(1)	(462)	(130)
Total - Revenues	0	0	0	0	0	0
Net cost from continuing operations	60,136	35,641	80,126	20,823	196,726	168,204